USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 2/24/2005

GAIN Report Number: RO5001

Romania

Solid Wood Products

Annual

2005

Approved by:
Brian Goggin
U.S. Embassy Bucharest

Prepared by:
Cristina Cionga

Report Highlights:
Recent increases in wood and utility prices, in addition to a rapidly appreciating currency, has put Romania's furniture industry at risk of losing its western markets. Domestic solid wood consumption prospects are however, very bright, as the macro economic situation continues to improve and consumer spending accelerates. Direct foreign investment in the industry is also a bright spot: several EU-based firms have recently invested in the production of processed wood products. Exports of logs and lumber are still high, but likely to shrink as investment expands and Romania's membership in the EU approaches.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Sofia [BU1]
[RO]

Table of Contents

Production

The forest area make up about 27 percent of Romania's territory (below the European average of 29 percent in total countries' area), that is, 6.5 million hectares, or 0.27 HA per capita. Of this, 68 percent (i.e. 4.4 million hectares) is publicly held and administered by the National Forest Administration (Romsilva), and the balance in private ownership, as the country has been undergoing a process of agricultural and forest land restitution since 1989.

By species, about 30 percent of the forests are coniferous and 70 percent deciduous (beech - 31.5 percent, oak – 18 percent, various hardwood species – 15.5 percent, various softwood species – 5 percent).

The standing timber volume is estimated at almost 1400 million cubic meters (39 percent coniferous, 37 percent beech, 13 percent oak and 11 percent other deciduous species), with an annual growth rate of roughly 36,000 thousand cum (i.e., an average of 5.6 cum/HA). In terms of geographical distribution, 66 percent of the area under forests is located in the mountains, about 25 percent in hilly areas, with the remaining in the plains.

According to their destination, 52 percent of Romania's forests have special protection functions (soil protection, water protection, climatic protection, wildlife and recreation), while commercial activities can be only performed on the remaining 48 percent of the forest area.

Some of the largest areas in natural and old growth forests remaining in Europe are here, where wildlife can be still found. Given the poor economic situation in Romania, restituted forests are undergoing rapid cutting, including through illegal timber removal. The situation is expected to improve as soon as the system of forest land registration (cadastre) will become effective in Romania, allowing the authorities to track timber cutting on private lots and to actually charge fines when the allowable cut is exceeded. Additionally, government-held forests also suffered from significant illegal timber removals. The feasibility study for developing a national forestry cadastre system in Romania was financed by the US TDA and is currently completed.

Providing sustainable management of forests, in line with EU practices and regulations, continues to be a real challenge for the authorities. Specific attention is given to the reforestation of degraded lands for erosion control, as well as to watershed management, reforestation and constructing environmentally-sound roads. Some three million HA, of a total of 14.8 million HA agricultural lands, is subject to erosion, while desertification is an increasingly worrying phenomenon. Poorly maintained roads further contributes to erosion.

The Ministry of Agriculture and Forestry passed legislation enabling the National Forest Administration to purchase the ownership right of various holders who lack the ability to properly manage their forest and thus prevent further forest degradation. The greatest priority stated by the Ministry is to work with new private forest owners to guide them in sustainable forest management through public awareness and stakeholder participation. Romania is in the process to adopt EU-compliant regulations on stemming illegal cut and trading of illegally obtained wood.

Domestic demand for solid wood for construction, furniture, and all other uses, is estimated at 18 to 20 million cubic meters per year. For 2005, the allowable cut to be harvested throughout the November – April season was set by the National Forest Administration at 18.2 million cubic meters, close to 2004 allocation (see Table 1) and representing about half of the annual biological growth rate. Of the approved amount, 11.5 million cubic meters will be cut from forests publicly owned and administered by Romsilva, with the balance to come from forests in private property and in local administration. Typically, the amount harvested is lower, because of the poor infrastructure and difficult accessibility in the forests (there are, in Romania, only 6 meters of forest roads per hectare, on average).

Table 1 below presents the annual distribution of the total allowable wood harvest in Romania.

Table 1. Annual Allowable Cut Distribution in Romania (million cubic meters)

	2001	2002	2003	2004	2005
Total allowable cut, of which:	17	16	16	18.5	18.2
-from forests under national administration, of which for:	11	14.2	12.6	12.5	11.5
• Industrial processing (timber and woodworking operations)	8.1	10.4	9	8.6	8.7*
• Romsilva own consumption	0.4	0.3	0.4	0.785	0.8
• Supply for firewood and rural dwellings	1.5	2.5	2.2	2.79	2.0
• Construction of forest roads	1	1	1.0	0.325	

*Includes allocation for forest road construction.

Policy

Budgetary outlays for forestry in FY 2005 are set up at ROL 518.2 billion (that is, roughly $19 million at the current exchange rate). An important share of this money will be allocated for reforestation, especially of degraded lands, via a national-wide program, targeting to bring, by the end of 2010, the total forest area close to the European average as percent of country's territory. The costs for this activity meant for forest conservation and management (estimated to vary between EURO 2100/HA for agricultural lands and EURO 2750/HA for highly degraded lands) are to be covered from both public and private sources. The real challenge the authorities face is the lack of awareness among stakeholders as well as of means to compensate them for accepting to put back their land under forest planting. Additional constraints to agricultural and forestry land tenure in Romania are the poor land registration and the extreme land fragmentation.

Forest Certification

Forest certification is mandatory for Romania in order to be allowed to sell wood products on the Western markets. This process attests that the forests the products originate from fulfill certain economic, social and environmental criteria. Nonetheless, the process is still in an introductory phase, primarily because of the scarce accredited personnel that can provide the certification.

Trade

Log and lumber exports are monitored via licenses issued by the Ministry of Agriculture, Forests and Rural Development, in order to prevent domestic market shortages like in 2000-2001, but there is no trade restriction on solid wood materials.

Exports of logs in 2004 stood close to the 2003 levels, while lumber amount shipped from Romania continued to increase steadily. Notably, AgBucharest updated trade figures for 2003 using statistics released by the Romanian Customs Office instead of the RO4002 proxy obtained by totaling the amounts for which Ministry of Agriculture had issued export licenses.

This surge is again attributed to the fact that a good portion of the lumber production originates from very small (micro-enterprises) and medium sized firms, which enjoy a number of fiscal and financial incentives, consistent with the GOR and different donors' efforts to promote regional and rural employment.

Hardwood industrial round wood exports were up 18 percent in 2004, from 85,000 cum a year earlier, main destinations being Bulgaria, Turkey, Austria, Italy, Spain.

Export Trade Matrix

Country	Romania		
Commodity	Temperate Hardwood Lumber		
Time Period	CY	Units:	CUM
Exports for:	2003		**Jan-Nov 2004**
U.S.		U.S.	309
Others		Others	
Egypt	234,000.00		285,000.00
Greece	195,000.00		202,033.00
Italy	132,000.00		165,000.00
Syria	94,000.00		105,000.00
China	81,000.00		
Lebanon	33,000.00		47,000.00
Croatia			58,400.00
Total for Others	769,000.00		862,433.00
Others not Listed	160,500.00		237,258.00
Grand Total	929,500.00		1,100,000.00

Exports of softwood logs were very low (3,000 cum for the first 11 months of 2004), a sharp decrease from the almost 40,000 cum shipped in the previous year to Hungary, Austria, Croatia.

Export Trade Matrix

Country	Romania		
Commodity	Softwood Logs		
Time Period	CY	Units:	CUM
Exports for:	2003		**Jan-Nov 2004**
U.S.	0	U.S.	0
Others		Others	
Austria	34191		797
Hungary	3156		1725
Croatia	460		448
Switzerland	112		84
Bosnia	90		
Germany	52		60
Total for Others	38061		3114
Others not Listed	96		34
Grand Total	38157		3148

Imported softwood logs totaled in 2004 over 125,000 cum from Ukraine and Russia, a considerable increase from the 19,000 cum of oak and beech logs imported in 2003.

Import Trade Matrix

Country	Romania		
Commodity	Softwood Logs		
Time Period	CY	Units:	CUM
Imports for:	2003		**Jan-Nov 2004**
U.S.	0	U.S.	0
Others		Others	
Ukraine	17859		124613
Russian Federation	861		309
Germany	1		1
Italy			13
Total for Others	18721		124936
Others not Listed	0		877
Grand Total	18721		125813

Imports of hardwood logs stood, like in 2003, at very modest levels: just over 5 cum, mostly from Ukraine.

Import Trade Matrix

Country	Romania		
Commodity	Temperate Hardwood Logs		
Time Period	CY	Units:	CUM
Imports for:	2003		**Jan-Nov 2004**
U.S.	20	U.S.	
Others		Others	
Ukraine	1226		3934
Slovakia	284		198
Slovenia	74		32
Hungary	65		115
Poland	60		
Serbia & Montenegro			329
Austria			259
France			226
Italy			220
Total for Others	1709		5313
Others not Listed	275		298
Grand Total	2004		5611

Lumber exporting industry is characterized by fragmented, low-capitalized firms, who sell a medium/low value added product. Nonetheless, the shift from logs towards lumber continued into 2004. Growth in hardwood lumber exports reached 20 percent in 2004, or, in absolute figures, over 1.1 million cum were shipped to different destinations such as Middle East countries (Egypt, Syria, Lebanon), but also to EU (Greece, Italy). Softwood lumber exports severely shrank from 2 million cum in 2003 to less than 1.5 million cum in 2004. Growth prospects for 2005 are expected to maintain a similar pattern, as emerging, medium/large local players (among them with foreign investments: Austrian, Italian) seek to add larger value to logs and extend value chain towards furniture exports.

The bulk of the hardwood lumber was shipped to European customers: Greece, Italy and to the Middle East: Egypt, Syria, Lebanon.

Export Trade Matrix

Country	Romania		
Commodity	Temperate Hardwood Lumber		
Time Period	CY	Units:	CUM
Exports for:	2003		**Jan-Nov 2004**
U.S.		U.S.	309
Others		Others	
Egypt	234,000.00		285,000.00
Greece	195,000.00		202,033.00
Italy	132,000.00		165,000.00
Syria	94,000.00		105,000.00
China	81,000.00		

Lebanon	33,000.00		47,000.00
Croatia			58,400.00
Total for Others	769,000.00		862,433.00
Others not Listed	160,500.00		237,258.00
Grand Total	929,500.00		1,100,000.00

The same destinations absorbed the softwood lumber exported by Romania in 2004: Egypt, Greece, Italy, Syria, Croatia, and Lebanon.

Country	Romania		
Commodity	Softwood Lumber		
Time Period	CY	Units:	CUM
Exports for:	2003		**Jan-Nov 2004**
U.S.		U.S.	309
Others		Others	
Saudi Arabia	324000	Egypt	285300
Hungary	260000	Greece	202033
Syria	164000	Italy	165000
Greece	147000	Syria	105000
Lebanon	133000	Croatia	59000
Arab Emirates	132000	Lebanon	47000
Algeria	111000		
Morocco	99000		
Tunisia	90000		
Egypt	53100		285300
Total for Others	1513100		1148633
Others not Listed	487000		89500
Grand Total	2000100		1238442

Lumber imports into Romania are typically insignificant and mainly originate from Germany (softwood) and Ukraine (hardwood).

Import Trade Matrix

Country	Romania		
Commodity	Temperate Hardwood Lumber		
Time Period	CY	Units:	CUM
Imports for:	2003		**Jan-Nov 2004**
U.S.	86	U.S.	204
Others		Others	
Ukraine	4400		8900
Greece	1900		
France	1600		800
Germany	1600		650

Croatia	1000		
Moldova	750		
Hungary	630		1900
Turkey	400		
Austria	320		
Italy			1900
Total for Others	12600		14150
Others not Listed	2120		6520
Grand Total	14806		20874

Import Trade Matrix

Country	Romania		
Commodity	Softwood Lumber		
Time Period	CY	Units:	CUM
Imports for:	2003		**Jan-Nov 2004**
U.S.		U.S.	2
Others		Others	
Austria	1224		323
Russian Federation	806		205
Hungary	693		76
Germany	325		4224
Ukraine	199		339
Greece	130		
UK	130		294
Sweden			299
Italy			421
Latvia			175
Total for Others	3507		6356
Others not Listed	532		350
Grand Total	4039		6708

Market Sector Analysis

Forestry industries in Romania (exploitation and woodworking) accounted in 2004 for 3.5 percent of GDP, over 9 percent of country's exports and some 1.2 percent of the imports.

Wood processing industry has recently experienced dramatic surge in prices for raw material, due to the monopolistic position of Romsilva on the domestic market. Auctioned wood during November-December 2004 went up by almost 60 percent compared to the levels in 2003. Overall, selling prices for standing timber practiced by the National Forest Administration surged by 85 percent in 2004, from ROL 299.2/cum to ROL 553,642/cum.

Under such circumstances, almost 40 percent of the wood that was offered in fall reportedly did not find any customers. Industry representatives anticipate a shortage in the short run and have started exploring opportunities for importing raw material from Ukraine, Belarus and Georgia.

Additional developments contribute to a downward scenario of the wood processing sector in 2005: domestic furniture producers, mainly producing for export markets, have been severely penalized by the recent and steady appreciation of the domestic currency, expected to continue as the country will liberalize its capital account from mid-2005.

Timber Industry
A trait of the primary wood processing in general is that equipment is obsolete and wood utilization is not efficient. Specific areas for improvement include log milling, lumber steaming, kiln drying and processing lumber to parts for furniture. Most wood in Romania is air-dried and the moisture does not go below 20%. There is a need also for capital in general to produce materials made from wood wastes, like oriented-strand board. The manufacture of oriented-strand board would be a way to utilize waste wood.

Domestic lumber production is estimated at about 5 million cubic meters, more than half coming from small pretty rudimentary factories). Such operators continue to distort the industry, as many of them reportedly work quasi-legally with mobile sawmills and sell saw lumber and construction materials at dumping prices. Poor forest road infrastructure has led to forest over-logging in the easily accessible areas.

The wood processing sector in Romania, nonetheless, has attracted important investments (including foreign: Italian, Austrian), especially in higher value products like MDF, particleboard, laminated board and veneer, growing in tandem with a very dynamic furniture industry.

Production, Supply and Demand Table

Romania							
Softwood Lumber							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Production	2500	2800	0	2600	0	2900	1000 CUBIC METERS
Imports	3	7	0	100	0	50	1000 CUBIC METERS
TOTAL SUPPLY	2503	2807	0	2700	0	2950	1000 CUBIC METERS
Exports	1300	1300	0	1100	0	1100	1000 CUBIC METERS
Domestic Consumption	1203	1507	0	1600	0	1850	1000 CUBIC METERS
TOTAL DISTRIBUTION	2503	2807	0	2700	0	2950	1000 CUBIC METERS

Production, Supply and Demand Table

Romania							
Temperate Hardwood Lumber							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	

Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Production	1300	2500	0	2300	0	2900	1000 CUBIC METERS
Imports	10	25	0	200	0	100	1000 CUBIC METERS
TOTAL SUPPLY	1310	2525	0	2500	0	3000	1000 CUBIC METERS
Exports	560	1200	0	900	0	1400	1000 CUBIC METERS
Domestic Consumption	750	1325	0	1600	0	1600	1000 CUBIC METERS
TOTAL DISTRIBUTION	1310	2525	0	2500	0	3000	1000 CUBIC METERS

Furniture and Interiors Sector

Romania's furniture industry continued to grow in 2004, especially due to the export demand. Domestic demand for high value, massive wood furniture products–Romania's specialty—remain low. Consequently, about 70 percent of the furniture produced in Romania is typically exported, the main destination being EU member states (that absorb 73 percent of the total exports). By country, important partners importing Romanian furniture are Italy (22 percent), Germany (15 percent), France, Turkey, UK. Romanian furniture exports are also expanding into Central Europe.

Total furniture export value for 2004 is estimated at roughly EURO 850 million ($1 billion, current prices), 20 percent up from the previous year. Although domestic consumers prefer imported products with an appealing look and more affordably priced (often from wood industrial substitutes), the main suppliers being Poland, Italy, and France, local producers also increased their domestic sales in 2004.

Currently, there are about 2900 furniture producers, employing about 100,000 people. The later number is about half of sector's labor force before 1989, but productivity more than doubled.

However, in the short run the industry is expected to undergo significant restructuring and to continue consolidation. Production in 2005 will likely shrink because of monopolistic prices for raw materials and continued appreciation of domestic currency. Further, virtually all operators are required to spend in upgrading their operations to comply with the EU environmental standards, the total value of such investments being estimated at over $100 million.

Construction Sector

Domestic construction market value for 2004 is estimated by the Romanian Association of Constructors at EURO 5 billion ($6.2 billion), although its percent growth is impressive especially in value terms, rather than volume, because of the rising prices for all construction materials. Overall, the sector remains one of the most dynamic in the Romanian economy. The fastest growing segment was residential construction, 40 percent up from a year earlier. However, given its low share in total construction market (only 12 percent), housing construction has a limited influence over the overall dynamics of this market. Demand for new, high comfort dwellings comes from the increasingly numerous upper and middle-class, typically targeting dwellings priced at $100,000-300,000 (as prices per square meter range between $800-1600, depending on location and finishing materials).

The year 2004 was the best after 1989, for the real estate market. Apart from the flourishing residential construction, boosted by mortgage loans extended to individuals and companies by most commercial banks, large infrastructure works have accelerated in the years just preceding country's EU accession: highway construction, national road upgrading, urban infrastructure: sewage, water systems, ecological landfills power plants rehabilitation, gas pipeline systems, etc.

Construction of new office buildings, hotels, shopping areas, hypermarkets has been also impressive countrywide. Foreign investors' interest in the real estate market development is increasing and fully contributes to prices' ascendant evolution.

Competition remains harsh on a market where new comers (generally, foreign companies) have significantly gained market share, at the expense of the Romanian traditional players. Examples of such contractors are Bechtel (US), Strabag (Germany), Vinci (France) - involved especially in large projects for road building and rehabilitation-, Diekat (Greece), Astaldi (Italy), etc.

Forest Product, Statistic Indicators Table for Romania

CONSTRUCTION MARKET

Country: Romania Report Year: 2005	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Value of Commercial Construction Market ($US mil)	620	700	770
Total Value of Repair and Remodeling Market ($US million)	n/a	n/a	n/a

FURNITURE & INTERIORS MARKET

Country: Romania Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Housing Starts (number of units)	36,000	38,000	39,000
Total Number of Households	7,394,000	7,395,000	7,365,000
Furniture Production ($US million)	760	800	830
Total Furniture Imports ($US million)	85	90	85
Total Furniture Exports ($US million)	1000	900	1050
Interiors Market Size ($US million)	60	62	65

FOREST AREA

Country: Report Year:	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Land Area (million hectares)	23.75	23.75	23.75
Total Forest Area (million hectares)	6.50	6.50	6.55
--of which, Commercial ('000 hectares)	3,120	3,150	3,180
----of commercial, tropical hardwood ('000 hectares)	0	0	0
----of commercial, temperate hardwood ('000 hectares)	1,716	1,733	1,749
----of commercial, softwood ('000 hectares)	1,404	1,418	1,431
Forest Type			
--of which, virgin ('000 hectares)	410	410	400
--of which, plantation ('000 hectares)	5,240	5,250	5,300
--of which, other commercial (regrowth) ('000 hectares)	830	850	850

Total Volume of Standing Timber (thousand cubic meters)	1,360,400	1,379,800	1,398,700
--of which, Commercial Timber ('000 cum)	1,300,000	1,300,000	1,320,000
Annual Timber Removal ('000 cum) 1/	17,000	17,500	18,000
Annual Timber Growth Rate ('000 cum)	36,400	36,400	36,680
Annual Allowable Cut ('000 cum)	18,500	18,200	19,000

WOOD PRODUCTS SUBSIDIES

Country: Romania Year of Report: 2005	Previous Calendar Year	Current Calendar Year	Following Calendar Year
Total Solid Wood Export Subsidy Outlay ($US million)	0	0	0
Is there a ban on the export of logs, lumber, or veneer? 1/	No	No	No
Are there export taxes (yes/no)? 2/	0	0	0
Total Wood Production Subsidy ($US million)	0	0	0
Scope (thousands of hectares)	0	0	0
Are there other wood products export expansion activities? 1/	No	No	No

FOREST PRODUCT TARIFFS AND TAXES (percent)		Tariff	Tariff	Other	
Country: Romania	Product	Current	Following	Import	Total Cost
Report Year: 2005	Description 1/	Year (%)	Year (%)	Taxes/ Fees	of Import 2/
440110	Firewood	30	30	0	30
44012100	In small particles, coniferous	3	3	0	3
44012200	In small particles, other than coniferous	3	3	0	3
4403	Timber	3	3	0	3
4404	Lumber for barrels	10	10	0	10
4405	Woodwool, wood flour	10	10	0	10
4406	Flitch wood	10	10	0	10
4407	Wood sawn or chipped lengthwise	7	7	0	7
4408	Veneer sheets and other wood sawn lengthwise	10	10	0	10
4409	Wood continuously shaped	30	30	0	30
4410	Particle board	10	10	0	10
4411	Fiberboard of wood	10	10	0	10
4412	Plywood	8	8	0	8
4413	Densified wood in blocks	10	10	0	10
4414	Wooden frames	25	25	0	25
4415	Packing cases of wood	25	25	0	25
4416	Wood barrels	25	25	0	25
4417	Tools of wood	25	25	0	25
4418	Wood joinery	15	15	0	15
4419	Tableware and kitchenware	40	40	0	40
4420	Decorative panels and objects	25	25	0	25
4421	Other articles of wood	25	25	0	25
4422	N/A				
4423	N/A				
4424	N/A				
4425	NA				